

ATTACHMENT - 4

Getting the best value from prepaid phone cards

What are prepaid phone cards?

Prepaid phone cards allow you to pay in advance for telephone calls. Depending on how much the card costs, you receive a specific number of minutes of calling time. As you use the card, the minutes are reduced, until you have used up all the time on the card.

Using a prepaid phone card may save you money on long distance and international calls. The key to saving the most money with these cards is to compare not only the per-minute rate but also other charges and fees, which can add a lot to the cost of calls.

Prepaid phone cards can be used to place calls from your home phone, a friend's home, most hotels and from any payphone, including those that do not accept coins.

How do prepaid phone cards work?

The cards come in different dollar amounts (their "denomination" or "face value"), often \$5, \$10 or \$25 per card, or minute amounts, often 30, 60, or 90 minutes per card. Different cards charge different per-minute rates. Before you purchase a card, ask about how many minutes of calling time you will have. With some cards, when you buy more minutes, you get a better per-minute price.

Instead of minutes, some providers indicate how many "units" are on the card. A unit equals one minute for call time for calls placed within the continental United States. On calls to Alaska and Hawaii and to other countries, you may be charged more than one unit for every minute.

Prepaid phone cards have a toll-free access number to initiate your call and include an individual personal identification number (PIN). For security, the

PIN is usually hidden by a label or scratch-off coating that you remove after buying the card. To place a call, dial the access number and follow the recorded instructions. Usually, after you enter the PIN, you'll hear a recording informing you of your available minute or dollar balance.

Where can I buy a card?

Prepaid phone cards can be purchased at many post offices, retail and pharmacy chains, discount shopping clubs, convenience stores, gas stations, vending machines and neighborhood groceries, as well as by mail and on the Internet.

Before buying a phone card, ask the salesperson about in-state, state-to-state and international rates, connection fees, service or maintenance fees, when the card expires and if there are any other restrictions or limitations of use. In many cases, this information will be on the card wrapper or on a poster in the store. If you can't get the answers, write down the customer service number and call to ask. If the service representative can't answer all your questions fully, keep shopping until you find a company that can.

One way to try out an unfamiliar card or company is to buy a small denomination card and see how it works. Never accept a card on which the scratch-off covering on the Personal Identification Number (PIN) has been removed or that does not provide you with the terms and conditions of your use of the card.

Most cards offer taped instructions in languages besides English. Before you buy a card, make sure it has the language you need.

Mail, phone and the Internet

Most prepaid phone cards are disposable—you throw them away when all the time is used up. Another type, often sold on the Internet or by mail, can be recharged by calling the company and paying for more time. You must have a credit or debit card to pay for additional time.

Many cards are advertised in newspapers and magazines. You can order the cards over the phone and pay with a credit or debit card or send your order by mail and pay with a check or money order. Many prepaid cards are sold on the Internet—you pay for them using a credit or debit card. All mail order, phone and Internet sales are subject to shipping and handling charges of up to \$10 per order. Request the terms and conditions of use from such retailers as your use of the card will be governed by these.

Some companies sell “virtual” prepaid phone cards on the Internet to customers who have e-mail. After your order has been processed, you will receive an e-mail containing a toll-free access number and PIN that you can use to place calls. Virtual cards don’t have shipping and handling charges, but may include a processing charge.

Where did the minutes go?

Rates have fallen sharply since phone cards hit the marketplace in the mid-1990s. There are rates as low as one penny per minute for calls within the U.S. However, low rate cards can cost you a lot more in the long run. They usually have extra fees that add a lot to the cost of each call, while cards with no fees charge higher per-minute rates. Only a small number of prepaid phone card providers do not charge fees, so shopping for surcharge-free cards is a challenge.

Common fees and surcharges

Service fees. Sometimes called maintenance fees, these deductions from the card can be made every day, week or month, depending on the provider. Daily service fees range from 3¢-50¢, weekly fees from 12¢-\$1 and monthly fees from 50¢-\$2.

Per-call connection fees. These range from 25¢-\$2.50, and are charged on every call you make. Calls within the U.S. usually have lower per-call connection fees, while international calls have much higher ones.

Taxes and government surcharges. Sometimes called “communications fees,” these charges range from 7.5%-15%. They usually include Universal Service Fund

(USF) contributions required by the federal government to ensure that all U.S. residents have access to affordable phone services.

Payphone surcharges. When you use a toll-free phone card at a payphone, most card providers deduct a “payphone compensation fee” for each call. It is used to pay the owner of the phone for carrying toll-free calls. This charge ranges from 24¢-75¢. (The government requires that payphone owners be paid 24¢ per toll-free call.)

Rounding

Prepaid phone card providers count minutes in various ways. Most round off calls to at least a full minute, but there is some variation. The shorter the billing interval, the less time you will waste.

Your card can expire

Many cards have expiration dates, usually printed on the back. If you do not use all the time on the card before that date, you will lose its remaining value.

What kinds of calls will I make?

Before you buy a prepaid card, consider how you’ll use it. Pick a card that will give you the best value for the kinds of calls you plan to make. At pay phones, use the cards for long distance calls—in most cases, coins are cheaper for local calls.

Prepaid phone cards are one of the few ways to make long distance calls at payphones that do not accept coins.

In-state rates may be different

Some cards have different—sometimes higher—per-minute rates for in-state long distance calls. For example, you might have to use more of the time on your card if you are calling from New York City to Albany, or from Los Angeles to San Diego, than you would if you were calling from California to New York.

Calls from home

The cards also can help you save money on your home phone bill by helping you to manage long distance usage.

International calls

If you are going to use the card to call friends in another country, choose one card with a low per-minute rate to that country. Prepaid cards often have low rates for calls in the U.S., but high rates and per-call surcharges for calls overseas. Some cards are marketed to people who call certain countries a lot, so their rates to specific countries may be lower.

Length of calls

Using a card with a per-call connection fee, you'll pay that fee even if you make a short call or reach an answering machine, making your call more expensive. Think about the length of your call when choosing between a card with a per-call connection fee or one without.

Traveling with prepaid cards

Many people use prepaid calling cards while away from home. When figuring out how much a call away from home will cost, don't forget to add in the cost of the payphone surcharge and the per-call fee charged by many hotels when you place toll-free calls from your room.

Most prepaid phone cards sold in the U.S. can only be used for calls that *originate* in the U.S. Before you purchase a card, ask if you can use it abroad, or wait to buy one when you reach your destination.

What if I have trouble with a card?

It's best to buy a prepaid phone card that has a toll-free 24-hour customer service number with operators to answer questions and respond to complaints. (A few

states require all prepaid phone companies doing business in the state to have this.) Many minor complaints can be resolved by calling the customer service number on the back of your card.

Assistance and information

The International Prepaid Communications Association (www.i-pca.org) operates a toll-free ombudsman hotline (800-333-3513) for people who have problems with or questions about prepaid phone cards.

Each state has a public utilities commission or public service commission that regulates local phone service and responds to consumer complaints. Look in the state government pages of your local phone directory or check out the National Association of Regulatory Utility Commissioners' web site (www.naruc.org) for a listing of all state agencies.

Report fraud to your state Attorney General (AG) and/or your state or local consumer protection agency. A list of state AG offices can be found on the National Association of Attorneys General web site (www.naag.org), or check the government section of your local phone directory.

Consumer Action (www.consumer-action.org) provides consumer advice, suggests appropriate complaint handling agencies and distributes free consumer education publications. Leave a message and a counselor will call you back. Chinese, English and Spanish spoken at 415-777-9635 and 213-624-8327; TTY: (415) 777-9456.

Fraud

Start-up costs are low for prepaid phone companies, which has enabled many small firms to enter the market. In some cases, companies have taken customers' money and left them with worthless cards.

There also have been other types of unlawful deceptive sales practices involving prepaid phone cards. Some card providers fail to tell consumers about fees, surcharges and other costs, or hide them in small, hard-to-read print. About 10

states have enacted laws that require full disclosure of prepaid phone card costs. In all states, deceptive and unfair trade practices are against the law, even if no specific rules cover prepaid phone card packaging.

If you are the victim of fraud while using a prepaid phone card, first talk to the company. An industry association, the International Prepaid Communications Association (IPCA), operates a toll-free hotline for customers who have problems with or questions about prepaid phone cards. If you cannot resolve your problem — or if the company doesn't answer its phone — call your local district attorney's consumer fraud unit, or your state public service commission or attorney general's office. (See "Assistance and information.")

This brochure was created by Consumer Action with funding from AT&T. © Consumer Action 2001